



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Testimony Insurance and Real Estate Committee March 2, 2017

**House Bill No. 7123 An Act Limiting Changes to Health Insurers Prescription Drug Formularies.**

**House Bill No. 7124 An Act Concerning Maximum Allowable Cost Lists and Disclosures by Pharmacy Benefit Managers.**

Committee Chairs, Co-Chairs, Ranking Member, and Members of the Insurance and Real Estate Committee the Insurance Department appreciates the opportunity to submit testimony in opposition to **House Bill No. 7123 An Act Limiting Changes to Health Insurers Prescription Drug Formularies** and **House Bill No. 7124 An Act Concerning Maximum Allowable Cost Lists and Disclosures by Pharmacy Benefit Managers**. Generally, H.B. 7123 limits the number of times a health insurance carrier can change its prescription drug formulary during the plan year and H.B. 7124 requires the insurance commissioner to oversee interactions between Pharmacy Benefit Managers (PBMs) and pharmacists.

The Department opposes both H.B. 7123 and H.B. 7124.

The Department is committed to working with all stakeholders to help lower health care costs in Connecticut but H.B. 7123 would impede efforts. Carriers traditionally move preferred drugs within a formulary when a lower-cost generic drug becomes available, or a drug is added or removed due to efficacy, availability and cost. Limiting the ability to do this would raise the cost of health insurance for all consumers in Connecticut.

In our mission to protect consumers, the Department added a fulltime examiner to review formularies and company practices in early 2016. In addition, the Department enhanced its formulary requirements through Department Bulletin HC-113. Bulletin HC-113 provides increased oversight of drug formularies, utilization review, drug tiers, pharmaceutical and therapeutic committee policies and procedures and enhanced consumer disclosures of drugs and explanations of tiers and utilization review controls. Additionally, the Department is in the process of promulgating regulations concerning drug formularies, which include the requirements of Bulletin HC-113.

With regard to H.B. 7124, the Department cautions the committee against regulating the relationship between pharmaceutical benefit managers (PBMs) and pharmacists. If the bill is enacted, the Department would need to hire new staff or contract with outside consultants to meet the requirements in this bill. Hiring staff would cost approximately \$190,000 annually<sup>1</sup> while contracting with a vendor would cost approximately \$250,000 annually.

The Department thanks the members of the Insurance and Real Estate Committee for the opportunity to submit testimony on H.B. 7123 and H.B. 7124.

---

<sup>1</sup> \$190,000 is derived from 1 FTE Associate Examiner (salary and fringe) and an actuary at 0.25 time to review the products.

**About the Connecticut Insurance Department:** The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state's General Fund.



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

Bulletin No. HC-113  
June 22, 2016

**TO: All Health Insurance Companies and Health Care Centers Authorized to Conduct Business in Connecticut**

**RE: Annual Filing of Formularies**

---

Pursuant to the authority under Sections §38a-591(e) of the 2016 Supplement to the Connecticut General Statutes and Sections 38a-481 and 38a-513 of the Connecticut General Statutes, the Insurance Department will require carriers to file their prescription drug formularies for all plans, whether or not such plans are subject to the ACA, to ensure consistency and transparency in the marketplace. The purpose of this bulletin is to set requirements and minimum standards for prescription drug formularies filed with the Department, and to solicit information relating to the policies and procedures for Pharmacy and Therapeutics Committees in developing these formularies.

### **Formulary Requirements**

- The formulary shall be easily electronically searchable.
- The medications within the formulary shall be grouped in alphabetical order by therapeutic class.
- Definition and/or explanation of each formulary tier, including Specialty tier, shall be clearly stated.
- Definitions for utilization controls, including but not limited to quantity/dosage controls, prior authorization, and step therapy shall be clearly stated.
- Tier coverage and utilization controls for each medication (by dosage, if applicable), shall be clearly stated.
- The formulary shall include information on how to obtain drugs that are off formulary.
- The formulary shall specify if and how drugs could be obtained through mail order pharmacy.
- The formulary shall clearly state when it was created, when it was last updated, and when the next anticipated update will be.
- The formulary shall provide customer service contact information.

### **Policies and Procedures for Pharmaceutical and Therapeutic Committees**

The Department is seeking to determine whether P&T Committees generally comply with the federal requirements articulated at 45 C.F.R. 122(a)(3). In furtherance of the Department's regulatory role under Section 38a-591(e) of the 2016 Supplement to the Connecticut General

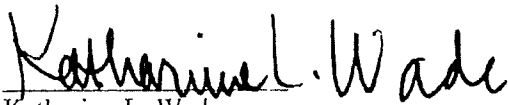
Statutes, the Commissioner requests that each insurer that files a drug formulary under the prior paragraph also provide a copy of the policies and procedures that govern its P&T Committee in its management of the formulary, with particular emphasis on the Committee's membership requirements, conflict of interest prohibitions and drug distribution and anti-discrimination processes.

#### **Annual Filing**

The Connecticut Insurance Department will conduct an annual survey of the carriers to gather information to complete the annual evaluation. The formulary survey form will be on the Insurance Department's website ([www.ct.gov/cid](http://www.ct.gov/cid)) under the tab "Forms and Applications." The survey form may also be requested from the Life and Health Division at the address listed below. For plans effective for plan years beginning in 2017, such survey is due to the Department on September 1, 2016. For plans effective on and after January 1, 2018, such survey should be filed as part of the annual form filing process.

#### **Questions**

Please contact the Insurance Department Life and Health Division at [cid.lh@ct.gov](mailto:cid.lh@ct.gov) with any questions.

A handwritten signature in black ink that reads "Katharine L. Wade". The signature is written in a cursive, flowing style.

Katharine L. Wade  
Insurance Commissioner